

*Real yield* means, for an inflation-indexed security, the yield based on the payment stream in constant dollars, i.e., before adjustment by the index ratio.

*Reference CPI* (Ref CPI) means, for an inflation-indexed security, the index number applicable to a given date. (See appendix B, section I, paragraph B.)

*Reopening* means the auction of an additional amount of an outstanding security.

*Secretary* means Secretary of the Treasury.

*Security* means a Treasury bill, note, or bond, each as described in this part, and any other obligation issued by the Secretary that, by the terms of the applicable offering announcement, is made subject to this part. Security includes an interest or principal component under the STRIPS program (see below).

*Settlement* means final and complete payment for securities awarded in an auction.

*Settlement amount* means the par amount of securities awarded less any discount amount and plus any premium amount and/or any accrued interest. For inflation-indexed securities, the settlement amount also includes any inflation adjustment when such securities are reopened or when the dated date is different from the issue date.

*Single-price auction* means an auction in which all successful bidders pay the same price regardless of the yields or rates they each bid.

*STRIPS* (Separate Trading of Registered Interest and Principal of Securities) means the Department's program under which eligible securities are authorized to be separated into principal and interest components, and transferred separately. These components are maintained in book-entry accounts, and transferred, in TRADES.

*Submitter* means the person or entity submitting bids directly to a Federal Reserve Bank or the Bureau of the Public Debt for its own account, for the account of others, or both. The only submitters that are permitted to submit bids for the account of others are depository institutions and dealers.

*Tender* means the document or computer transmission submitted to a Federal Reserve Bank or the Bureau of the

Public Debt by which a bidder bids for securities.

*TINT* means an interest component from a stripped security.

*TRADES* means the Treasury/Reserve Automated Debt Entry System.

*TREASURY DIRECT* means the TREASURY DIRECT Book-Entry Securities System. (See 31 CFR part 357, subpart C.)

*Weighted average* means the average of the yields or discount rates at which securities are awarded to competitive bidders weighted by the par amount of securities allotted at each yield or discount rate.

*Yield*, also referred to as "yield to maturity," means the annualized rate of return to maturity on a fixed-principal security expressed as a percentage. For an inflation-indexed security, yield means the real yield. (See appendix B.)

[58 FR 414, Jan. 5, 1993, as amended at 59 FR 28774, June 3, 1994; 60 FR 13907, Mar. 15, 1995; 61 FR 37010, July 16, 1996; 61 FR 43637, Aug. 23, 1996; 62 FR 850, Jan. 6, 1997; 62 FR 25114, May 8, 1997; 63 FR 35783, June 30, 1998; 64 FR 3634, Jan. 25, 1999; 67 FR 68516, Nov. 12, 2002]

### § 356.3 Book-entry securities and systems.

Securities issued subject to this part shall be held and transferred in either of the two book-entry securities systems—TRADES or TREASURY DIRECT—described in this section. Securities are maintained and transferred, to the extent authorized in 31 CFR part 357, in these two book-entry systems at their par amount, e.g., for inflation-indexed securities, adjustments for inflation will not be included in this amount. Securities may be transferred from one system to the other in accordance with Treasury regulations governing book-entry Treasury bills, notes, and bonds. See Department of the Treasury Circular, Public Debt Series No. 2-86, as amended (31 CFR part 357).

(a) *Treasury/Reserve Automated Debt Entry System (TRADES)*. TRADES is established, maintained and operated by the Federal Reserve Banks acting as

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fiscal agents of the United States, pursuant to 12 U.S.C. 391. The Federal Reserve Banks maintain book-entry accounts for themselves, depository institutions, and other authorized entities, such as government and international agencies and foreign central banks. In their accounts, depository institutions maintain securities held for their own account and for the accounts of others, including other depository institutions and dealers, which may, in turn, maintain accounts for others. For accounts maintained in TRADES, Treasury discharges its payment obligations when payment is credited to the applicable account maintained at a Federal Reserve Bank or payment is made in accordance with the instructions of the person or entity maintaining such account. Further, neither Treasury nor the Federal Reserve Banks have any obligations to, nor will they recognize any claims of, any person or entity that does not have an account at a Federal Reserve Bank. In addition, neither Treasury nor the Federal Reserve Banks will recognize the claims of any person or entity with respect to any accounts not maintained at a Federal Reserve Bank.

(b) **TREASURY DIRECT.** TREASURY DIRECT is a system in which the book-entry securities of account holders are identified and maintained directly on the records of the Bureau of the Public Debt, Department of the Treasury. In TREASURY DIRECT, Treasury discharges its payment obligations when payment is made to a depository institution for credit to the account specified by the owner of the security, or when payment is made in accordance with the instructions of the owner of the security.

[58 FR 414, Jan. 5, 1993, as amended at 61 FR 43637, Aug. 23, 1996; 62 FR 850, Jan. 6, 1997]

#### § 356.4 Functions of Federal Reserve Banks.

Federal Reserve Banks, as fiscal agents of the United States, are authorized to perform all activities necessary to carry out the provisions of this part, any offering announcements, and applicable regulations.

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#### § 356.5 Description of securities.

Securities offered pursuant to this part are offered exclusively in book-entry form and are direct obligations of the United States, issued under chapter 31 of title 31 of the United States Code. The securities are subject to the terms and conditions set forth in this part, including the appendices, as well as the regulations governing book-entry Treasury bills, notes, and bonds (31 CFR part 357), and the offering announcements, all to the extent applicable. When the Department issues additional securities with the same CUSIP number as outstanding securities, all securities with the same CUSIP number are considered the same security.

(a) *Treasury bills.* Treasury bills are issued at a discount, are redeemed at their par amount at maturity, and have maturities of not more than one year.

(b) *Treasury notes*—(1) *Treasury fixed-principal*<sup>1</sup> *notes.* Treasury fixed-principal notes are issued with a stated rate of interest to be applied to the par amount, have interest payable semiannually, and are redeemed at their par amount at maturity. They are sold at discount, par, or premium, depending upon the auction results. They have maturities of at least one year, but not more than ten years.

(2) *Treasury inflation-indexed notes.* Treasury inflation-indexed notes are issued with a stated rate of interest to be applied to the inflation-adjusted principal on each interest payment date, have interest payable semiannually, and are redeemed at maturity at their inflation-adjusted principal, or at their par amount, whichever is greater. They are sold at discount, par, or premium, depending upon the auction results. They have maturities of at least one year, but not more than ten years. (See appendix B for price and interest payment calculations and appendix C for Investment Considerations.)

<sup>1</sup>The term “fixed-principal” is used in this part to distinguish such securities from “inflation-indexed” securities. Fixed-principal notes and fixed-principal bonds are referred to as “notes” and “bonds” in official Treasury publications, such as offering announcements and auction results press releases, as well as in auction systems.